

3 December 1982

MEMORANDUM FOR: DCI

FROM:

25X1

SUBJECT: Yugoslavia

1. As you know, the Administration is moving at a rapid clip to cobble together some sort of Western financial relief package for Yugoslavia.

2. Intelligence support for this effort has been of very high quality--see the attached DDI memorandum--but I think we should push forward with another piece.

3. It's doubtful that the Soviets will stand idly by while the West rides in to the rescue. Indeed, the Soviets will have at their disposal a number of potentially effective responses:

-- As they have in the past, the Soviets could punish Belgrade by cutting oil shipments.

-- Or they could cut the level of Yugoslavian-Soviet countertrade, which has I believe doubled in the last few years.

-- Either of these actions, if not countered, would devastate the Yugoslavian economy.

-- Alternatively, the Soviets could so to speak bid against the West by boosting oil shipments and enhancing the terms of trade.

-- The Soviets could also offer weapons to the Yugoslavian military forces on terms the generals couldn't refuse. A strong alliance with the Yugoslavian army would be immensely valuable to Moscow.

4. Should the Soviets take measures like these, it would be important for the West to take countermeasures.

-- We might be able to supply some oil.

-- We might be able to supply weapons.

5. A SNIE that deals with these issues would be useful to policymakers before the action starts. It would be titled something like "Likely Soviet Responses to Western Initiatives in Yugoslavia," and it could deal with possible Western countermeasures.

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